

Debt Service

MISSION STATEMENT

This section provides budget data for the repayment of general obligation bonds issued and payment of long-term leases and short-term financing for public facilities and infrastructure in the Debt Service Fund for all tax supported County agencies (MCG, M-NCPPC, MCPS, and Montgomery College), as well as other associated costs.

BUDGET OVERVIEW

The total recommended FY05 Operating Budget for Debt Service is \$203,844,950, an increase of \$5,376,780 or 2.7 percent from the FY04 approved budget of \$198,468,170. This amount includes long-term lease expenditures of \$12,519,640, and short-term financing of \$11,147,690, but excludes \$58,440 in debt service which is appropriated in non-tax supported enterprise funds.

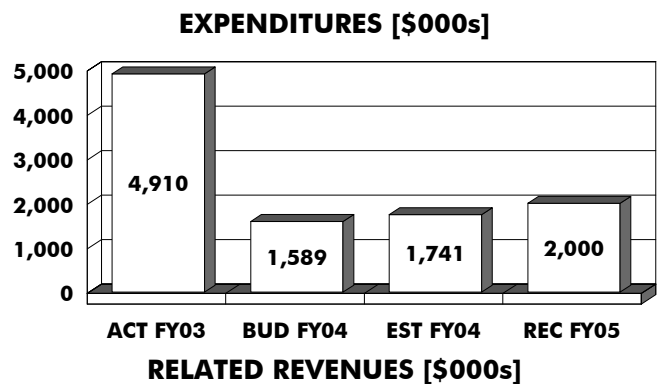
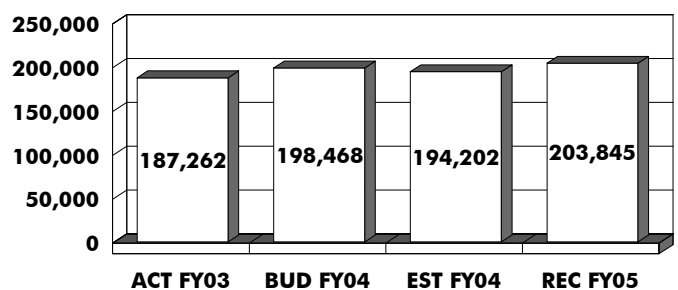
General Obligation Bonds

General obligation (G.O.) bonds are issued by the County to finance a major portion of the construction of long-lived additions or improvements to the County's publicly-owned infrastructure. The County's budget and fiscal plan for these improvements is known as the Capital Improvements Program (CIP) and is published separately from the Operating Budget and Public Services Program. Currently, G.O. bonds are anticipated to fund approximately 62 percent of the County's capital expenditures for the six years of the Recommended FY05-10 CIP program. The bonds are repaid to bondholders with a series of principal and interest payments over a period of years, known as Debt Service. In this manner, the initial high cost of capital improvements is absorbed over time and assigned to citizens benefitting from facilities in the future, as well as current taxpayers. Due to various Federal, State, and local policies, interest rates are lower than in the private sector. However, once committed, Debt Service represents a major continuing claim on County resources that must be kept within the annual operating requirements of the County government in order to avoid excessive pressures on operating budgets in years of revenue shortfalls.

Section 305 of the County Charter requires the County Council to set Spending Affordability Guidelines (SAG) for the CIP. The guidelines are related to how much the Council believes the County can afford, rather than how much might be needed. The guidelines apply to County G.O. bonds and must specify the total G.O. debt issued by the County that may be planned for expenditure in the first and second year and approved under the six-year CIP. The proposed SAG limits are \$190.0 million for FY05, \$190.0 million for FY06, and \$1,140.0 million for the Recommended FY05-10 CIP. The County Executive submits a CIP within SAG.

"General obligation" refers to the fact that the bonds are backed by the "full faith and credit" of the County and its general

Trends



revenue stream. In addition, the Montgomery County Charter provides that the Director of Finance must make debt service payments even if the Council fails to provide sufficient appropriation. County G.O. bonds are exempt from Federal taxes and also from State taxes for citizens of Maryland. Finally, the County strives to maintain its total and projected outstanding debt and debt service within certain financial parameters according to the County's fiscal policy. Thus, these financial instruments provide strong advantages in both safety of repayment and investment return for certain categories of investors.

Debt Limit

The County's outstanding general obligation debt totals \$1,288,293,054 as of June 30, 2003. The allocation of outstanding debt to government programs and functions is displayed in a chart at the end of this section.

The Annotated Code of Maryland, Article 25A, Section 5(P), authorizes borrowing funds and issuance of bonds up to a maximum of 6 percent of the assessed valuation of all real property and 15 percent of the assessed value of all personal property within the County. The legal debt limit as of June 30, 2003, is \$5,578,618,430, based upon the assessed valuation \$82,407,337,831 for all real property and \$4,227,854,400 for personal property. The County's outstanding general obligation debt of \$1,288,293,054 plus outstanding short-term commercial paper of \$125,000,000 plus outstanding MICRF loan of \$1,341,206 is 1.63 percent of assessed value, well within the legal debt limit and safely within the County's financial capabilities. A comparison of outstanding debt to legal debt limit is displayed in a chart included at the end of this section.

Additional information regarding the County's outstanding general obligation debt and revenue bond debt can be found in the Debt Service Program Direct Debt for Fiscal Year 2003 (Debt Service Booklet). Schedules which display the allocation of outstanding debt to government programs and functions, debt service requirements for bond principal and interest, and payment schedules for paying agents can also be found in the Debt Service Booklet.

Leases and Other Debt

Long-term leases are similar to debt service in that they are long-term commitments of County funds for the construction or purchase of long-lived assets. They are displayed and appropriated within the Debt Service Fund. Short-term leases, where the payments represent a substantial County commitment for the acquisition of assets which have a shorter life, but still result in a substantial asset, are also displayed and appropriated within this Fund.

Long-term payments include:

- Lease payments to the Revenue Authority for the Conference Center, HHS Piccard Drive, and various Recreation pools.
- Lease payments to the Maryland Economic Development Corporation (MEDCO) for the Town Square and Wayne Avenue Garages in Silver Spring.
- Payments for the acquisition of a temperature controlled liquor warehouse.

Short-term lease payments include:

- Payments for the acquisition of a Public Safety Radio System.
- Payments for the acquisition of the Kay property.
- Payments for the acquisition of 83 County Ride On buses (through FY04).

Long-term loan payments to the Maryland Industrial and Commercial Redevelopment Fund (MICRF) are related to an economic development loan between the County and Aspen Systems Corporation. MICRF loaned money to the County which is repaid from the Debt Service Fund, is backed by the full faith and credit of the County, and is considered long-term debt of the County. The County made an equivalent economic development loan to Aspen Systems which is repaid by Aspen Systems into the Economic Development Fund.

The FY05 appropriations for the long-term leases, short-term leases, and the MICRF loan are displayed in a chart at the end of this section.

Other Long-Term Debt

Certain other types of long-term debt are issued by the County government and State-chartered agencies of the County, such as the Maryland-National Capital Park and Planning Commission, Washington Suburban Sanitary Commission, Housing Opportunities Commission, and the Revenue Authority. Examples are revenue bonds, backed by fees and charges to facility users; and agency bonds, backed by separate taxes, charges, other revenues, and/or the faith and credit available directly to these agencies. In some cases, the County government may make direct payments under contract to these or other agencies, such as the service payment to the Northeast Maryland Waste Disposal Authority for financing of the Resource Recovery Facility. Most of these other types of non-general obligation debt are not included in expenditure listings of this section.

Debt Service Program

The annual Debt Service obligation of all outstanding G.O. bond issues, long-term lease payments, long-term loans, short-term lease payments, and projections of certain related expenditures constitute the total Debt Service budget for FY05. When a bond-funded facility supports an activity funded by one of the County's Enterprise funds, the debt service is appropriated in that Enterprise fund operation. The Enterprise fund obligation is then subtracted from the total debt service to derive the Debt Service appropriation.

Montgomery County G.O. bonds are budgeted in specific categories for specific purposes: General County (County government facilities that are not included in the following categories); Roads and Storm Drains; Public Housing; Parks (including land and development for M-NCPPC regional and Countywide use parks); Public Schools; Montgomery College; Fire Tax District; Mass Transit Fund; Recreation Fund; Noise Abatement Districts; Parking Districts; and Solid Waste Disposal Fund. A separate appropriation is made for the General Fund or a special fund (e.g., Mass Transit, Fire, Recreation, Noise Abatement Districts) as appropriate. These appropriations include debt service for G.O. bond issues outstanding, long-term lease obligations, short-term financing

obligations, and the MICRF loan. The total General County category includes an appropriation for County Debt Service on facilities for Police, Corrections, Human Services, Libraries, General Government, and other miscellaneous purposes. In recent years, Solid Waste projects have been funded entirely with revenue bonds or Enterprise fund current revenues, but general obligation debt service remains from prior year issues.

Certain other expenditures and revenues are included in Debt Service budget calculations. The total Debt Service budget consists of principal and interest on the bonds, long-term lease obligations which include administrative expenses, short-term financing obligations which include administrative expenses, and the MICRF loan which includes principal and interest. Bond anticipation notes (BANs)/commercial paper are short-term capital financing instruments issued with the expectation that the principal amount will be refunded with long-term bonds. In the meantime, interest costs are incurred, usually at lower rates than with more permanent financing. Cost of issuance includes the legal, administrative, and production cost of rating, issuing, and selling bonds and BANs/commercial paper.

Funding sources which offset the General Fund requirement for Debt Service include the accrued interest on bonds between the date of issue and the date the County receives the proceeds, investment income on BANs/commercial paper, and any premium on bonds issued. The special funds will fund the Debt Service appropriation via a transfer from individual special funds to the Debt Service Fund. These special funds include Fire Tax District, Mass Transit, Recreation, Bradley Noise Abatement, Cabin John Noise Abatement, and the Economic Development Fund.

The Montgomery County Revenue Stabilization Fund Law, Article XII, Section 20-71, Interest, requires transfer of interest earned on the Fund when the Fund exceeds 50 percent of the maximum Fund size authorized by Section 20-67(a). Interest must be transferred to the Debt Service Fund as an offset to the approved issuance of general obligation debt (PAYGO). The interest income earned will be transferred from the Revenue Stabilization Fund to the Debt Service Fund and then transferred from the Debt Service Fund to the CIP Fund to offset G.O. bond funding. Beginning in FY98, the Revenue Stabilization Fund exceeded 50 percent of the maximum Fund size; therefore, interest is assumed to be transferred to the Debt Service Fund for FY05-10.

Capital Improvements Program Impact On Operating Budget Debt Service Requirements

Debt Service requirements are the single largest impact on the Operating Budget/Public Services Program by the Capital Improvements Program. The Charter-required CIP contains a plan or schedule of project expenditures for schools, transportation, and infrastructure modernization, with estimated project costs, sources of funding, and timing of work over a six-year period. For FY05-10, approximately 62 percent of the CIP is funded with G.O. bonds. Each bond issue used to fund the CIP translates to a draw against the Operating Budget each year for 20 years. Debt requirements for past and future bond

issues are calculated each fiscal year, and provision for the payment of Debt Service is included as part of the annual estimation of resources available for other Operating Budget requirements. Debt Service expenditures take up fiscal capacity that could be diverted to improved services as well as tax bill containment. As Debt Service grows over the years, increased pressures are placed on other PSP programs competing for scarce resources.

The County Council adopts Spending Affordability Guidelines for the capital budget based on criteria for debt affordability. These criteria are described in the County's Fiscal Policy and provide a foundation for judgments about the County's capacity to issue debt and its ability to retire the debt over time. Debt capacity evaluation also focuses on other factors which impact the County's ability and willingness to pay current and future bond holders. Debt obligations, which include G.O. debt service plus other long-term commitments, are expected to stay manageable, representing about ten percent of General Fund expenditures. Maintaining this guideline ensures that taxpayer resources are not overextended during fiscal downturns, nor are services squeezed out over time due to increased Debt Service burdens. The Debt Capacity chart is displayed at the end of this section. The chart displays the debt issues for the six years which are the basis of the G.O. bond-funded portion of the Recommended FY05-10 CIP.

Annual bond-funding requirements (on which future debt issue projections are based) are based on summations of projected bond-funded expenditures identified by project, amount, and year. The total programmed bond-funded expenditures for each year and for the CIP period are then adjusted to assist in estimating annual bond issue requirements. Adjustment factors include inflation, project implementation rate, commitment of County current revenues (PAYGO) as an offset against bond requirements, and a set-aside for future unprogrammed projects. The resulting bond requirements are then compared to planned bond issue levels over the six-year period. It is most critical that debt funding of the CIP be within projected bond issue requirements for the first and second years and for the six years, and the County Executive's Recommended FY05-10 Capital Improvements Program meets that requirement. The General Obligation Bond Adjustment chart reflecting the Executive's proposals for the Recommended FY05-10 CIP is included at the end of this section.

FY04 Estimated Debt Service

FY04 estimated general obligation Debt Service and lease expenditure requirements for tax-supported funds total \$194.2 million, or \$4.3 million less than the budget amount of \$198.5 million, due to lower than anticipated expenditures for commercial paper and for leases due to financing delays for the Germantown Indoor Swim Center and the Kay property, and greater than expected savings from the G.O. bond refunding.

FY05 Recommended Debt Service Budget

The FY05 Debt Service budget is predicated on a base of existing Debt Service requirements from past bond issues (through May 2003) plus the following:

- A March 2004 issue of \$165 million at a true interest cost of 4.65 percent for 20 years with even principal payments.
- Interest expense based on an anticipated average

BANs/commercial paper balance of \$162.5 million during FY05.

- Continuation of long-term lease obligations for the Conference Center, HHS Piccard, Town Square and Wayne Avenue Garages, and various pools.
- Continuation of the MICRF loan.
- Long-term lease obligations for the construction of the temperature controlled liquor warehouse and the Germantown Indoor Swim Center.
- Short-term financing obligations for the acquisition of the Public Safety Radio System, the Kay property, and for 83 Ride On buses (through FY04).

A spring bond issue delays principal and two semiannual interest payments until FY05. Spring bond issues are expected to continue in FY05 through FY10. The favorable short-term interest on commercial paper is significantly offset by investment income earned by BANs/commercial paper funds prior to their required use for project expenditures.

The Debt Service assumptions discussed above result in a total FY05 Debt Service requirement for tax-supported funds of \$203.8 million, which is a 2.7 percent increase from the FY04 budget of \$198.5 million. The General Fund appropriation requirement is \$190.8 million, or 3.6 percent more than the budgeted FY04 amount of \$184.1 million. The special funds appropriation requirements are \$13.0 million, or 8.9 percent less than the budgeted FY04 amount of \$14.3 million mainly due to the completion of the Transit Fund lease. The special funds include Fire Tax District, Mass Transit, Recreation, Bradley Noise Abatement, and Cabin John Noise Abatement. Road and school bonds, both in the General Fund, have continued to increase as a component of Debt Service requirements. In recent years, and in projections, the Enterprise funds' share of total Debt Service is decreasing, because, as noted above, the Enterprise funds have made increased use of revenue bonds and current fund revenues to meet capital financing requirements.

Public Services Program

The six-year Public Services Program for Debt Service is predicated on the bond issue requirements in the Recommended CIP, adjusted for inflation, and implementation of the capital program at a projected 92 percent rate in FY05 and FY06, and 93 percent in FY07-10. The actual true interest cost of 4.65 percent is budgeted for the March 2004 issue. Projected interest rates for bond issues for FY05 through FY10 are based on an econometric model which forecasts little change in interest rates after FY05. Under these projections and assumptions, tax-supported Debt Service will increase from \$203.8 million in FY05 to \$251.9 million by FY10 with the General Fund revenue requirement growing from \$190.8 million in FY05 to \$231.5 million by FY10.

Rating Agency Reviews

Montgomery County continues to maintain its status as a top-rated issuer of municipal securities. The County has the highest credit ratings possible for a local government, AAA, from Moody's Investors Service, Inc. (since 1973), from Standard and Poor's (since 1976), and from Fitch (since 1993, the first year a rating was sought from Fitch). These high ratings are critical to ensure the lowest possible cost of debt to citizens. High ratings translate into low interest rates and considerable

savings over the 20-year interest payments on the bonds. The rating agencies also place great emphasis on certain operating budget criteria, the quality of government administration, legal or constitutional restrictions, and the overall condition of the local economy. All of these factors are considered evidence of both the ability and willingness of local governments to support public debt.

Development Districts

Three development districts have been created in accordance with Chapter 14 of the Montgomery County Code, the Montgomery County Development District Act enacted in 1994. The West Germantown District was created by Council Resolution 13-1135, the Kingsview Village Center Development District was created by Resolution 13-1377, and the Clarksburg Town Center District was created by Resolution 15-87. The creation of the development districts allows the County to provide financing, refinancing, or reimbursement for the cost of infrastructure improvements necessary for the development of land in areas of the County of high priority for new development or redevelopment. Special assessments and/or special taxes may be levied to fund the issuance of bonds or other obligations created from the construction or purchase of infrastructure improvements.

The West Germantown Development District was created in an unincorporated area of Montgomery County, encompassing approximately 671 acres. Various transportation, local park, and sewer infrastructure improvements are intended to be constructed by developers and acquired by the County at completion for a total cost of \$12.8 million. Special obligation bonds were issued in March 2002.

The Kingsview Village Center Development District was created in an unincorporated area of Montgomery County, encompassing approximately 29 acres. Various transportation improvements were constructed by developers and acquired by the County at completion for a total cost of \$2.7 million. Special obligation bonds were issued in December 1999.

The Clarksburg Town Center Development District was created by Council Resolution 15-87 on March 4, 2003, in an unincorporated area of Montgomery County, encompassing approximately 280 acres. Various transportation, water supply, and greenway trail improvements will be constructed by the developer and acquired by the County at completion for a total cost of \$10.76 million. In addition, the District will fund contributions totaling \$6.24 million toward the capital cost of two County government projects (a library and extension of Stringtown Road to I-270). Special obligation bonds will be issued in the future for these improvements.

In October 2001, the County Council approved resolution number 14-1009 initiating evaluation of two additional development districts proposed for Clarksburg: Clarksburg Village and Clarksburg Skylark. The evaluation of these two additional districts is currently in progress. Upon completion, the three proposed Clarksburg developments will consist of 3,900 residential units, and approximately 110,000 square feet of retail space.

The County issues special obligation bonds to fund the

acquisition of the completed infrastructure assets. The debt service on the special obligation debt is funded by an ad valorem tax and special benefit assessment levied on the properties located in the development district. The County Council, by separate resolution, sets the ad valorem tax and special benefit assessment at rates sufficient to pay the principal, interest, any redemption premium on the bonds, and administrative expenses.

Revenues resulting from the ad valorem tax and special benefit assessed, and expenditures for the debt service on the special obligation bonds and administrative expenses, are accounted for in an agency fund, because the County has no obligation whatsoever for the indebtedness. The County acts only as a financing conduit and agent for the property owners and bondholders. In accordance with Section 20A-1 of the Montgomery County Code, the bonds or other obligations issued may not constitute a general obligation debt of the County or a pledge of the County's full faith and credit or taxing power.

PROGRAM CONTACTS

Contact Jennifer Barrett of the Department of Finance at 240.777.8870 or Charles Goldsmith of the Office of Management and Budget at 240.777.2779 for more information regarding this department's operating budget.

BUDGET SUMMARY

	Actual FY03	Budget FY04	Estimated FY04	Recommended FY05	% Chg Bud/Rec
DEBT SERVICE					
EXPENDITURES					
Salaries and Wages	0	0	0	0	—
Employee Benefits	0	0	0	0	—
Debt Service Personnel Costs	0	0	0	0	—
Operating Expenses	0	0	0	0	—
Debt Service G.O. Bonds	187,262,389	198,468,170	194,201,580	203,844,950	2.7%
Capital Outlay	0	0	0	0	—
Debt Service Expenditures	187,262,389	198,468,170	194,201,580	203,844,950	2.7%
PERSONNEL					
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
Workyears	0.0	0.0	0.0	0.0	—
REVENUES					
Street Assessments	4,882	39,010	0	0	—
Premium on GO Bonds	3,039,440	0	0	0	—
Proceeds from Escrow Refunding	0	0	640,650	0	—
BAN/Comm Paper Investment Income: Pooled	680,701	1,000,000	550,000	1,700,000	70.0%
Accrued Interest: GO Refunding Bonds	335,805	0	0	0	—
Accrued Interest: Installment Notes, I&P	145,503	0	0	0	—
Accrued Interest: Bonds Non-Pooled	703,889	550,000	550,000	300,000	-45.5%
Debt Service Revenues	4,910,220	1,589,010	1,740,650	2,000,000	25.9%

DEBT SERVICE - GENERAL OBLIGATION BONDS AND LONG & SHORT TERM LEASES

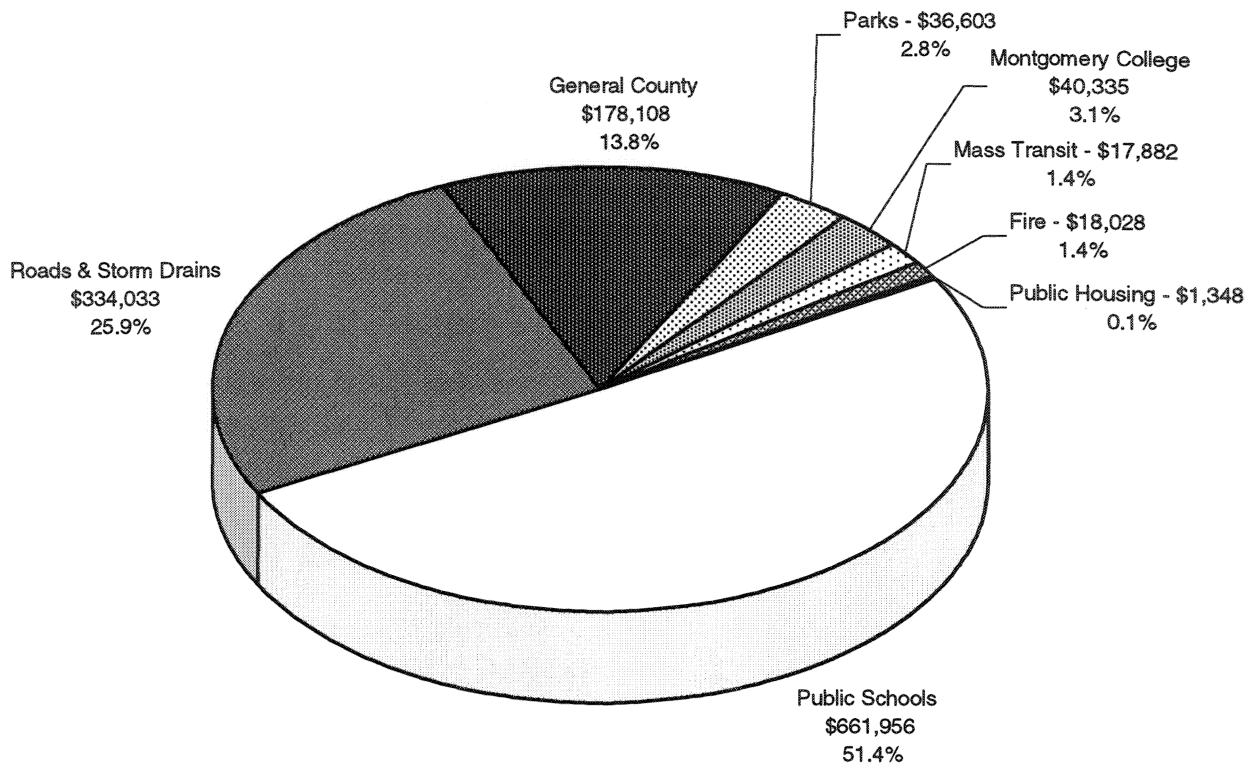
	Actual FY02	Actual FY03	Budget FY04	Estimated FY04	Recommended FY05	% Chg Bud/Rec	Rec % GO Bonds
GO BOND DEBT SERVICE EXPENDITURES							
General County	17,888,741	20,310,148	19,998,900	19,586,320	22,913,750		12.9%
Roads & Storm Drains	44,677,726	46,463,300	47,420,280	46,642,180	46,362,740		26.2%
Public Housing	343,150	327,862	312,550	312,550	297,090		0.2%
Parks	5,100,793	5,512,159	5,297,030	5,215,720	5,746,810		3.2%
Public Schools	76,358,659	81,343,699	85,557,760	83,881,740	87,273,450		49.3%
Montgomery College	3,945,424	4,251,374	4,950,010	4,845,290	4,790,530		2.7%
Bond Anticipation Notes/Commercial Paper	3,159,208	1,829,315	2,400,000	1,400,000	3,000,000		
Bond Refunding	-	-	(1,500,000)	(300,000)	(750,000)		
Cost of Issuance: General Fund	558,347	692,091	906,240	906,240	928,900		
Total General Fund	152,032,048	160,729,948	165,342,770	162,490,040	170,563,270	3.2%	94.6%
Fire Tax District Fund	1,817,169	2,147,648	2,284,340	2,256,110	2,294,600	0.4%	1.3%
Mass Transit Fund	4,468,993	3,760,774	3,214,070	3,140,140	3,038,680	-5.5%	1.7%
Recreation Fund	2,736,396	3,144,518	3,430,710	3,547,970	4,126,760	20.3%	2.3%
Bradley Noise Abatement Fund	37,502	36,313	35,110	35,120	33,890	-3.5%	0.0%
Cabin John Noise Abatement Fund	11,117	10,767	10,410	10,420	10,060	-3.4%	0.0%
Total Tax Supported Other Funds	9,071,177	9,100,020	8,974,640	8,989,760	9,503,990	5.9%	5.4%
TOTAL TAX SUPPORTED	161,103,225	169,829,968	174,317,410	171,479,800	180,067,260	3.3%	100.0%
Parking District Funds	399,000	374,500	-	-	-	0.0%	0.0%
Solid Waste Disposal Fund	117,305	110,298	97,690	97,690	58,440	-40.2%	0.0%
Total Non-Tax Supported	516,305	484,798	97,690	97,690	58,440	-40.2%	0.0%
TOTAL GO BOND DEBT SERVICE EXPENDITURES	161,619,530	170,314,766	174,415,100	171,577,490	180,125,700	3.3%	100.0%
LONG-TERM LEASE EXPENDITURES							
Revenue Authority - Conference Center	559,499	561,426	1,581,770	1,581,770	2,269,510		
Revenue Authority - HHS Piccard Drive	624,233	640,952	636,390	636,390	634,520		
Silver Spring Garages	-	992,093	5,376,400	5,376,410	6,227,710		
Revenue Authority - Recreation Pools	1,592,245	1,353,903	1,815,550	1,326,560	3,197,900		
Liquor Control Warehouse	-	-	-	-	190,000		
Town of Chevy Chase - Leland Community Center	(1,947)	-	-	-	-		
TOTAL LONG-TERM LEASE EXPENDITURES	2,774,030	3,548,374	9,410,110	8,921,130	12,519,640		
SHORT-TERM LEASE EXPENDITURES							
Short Term Financing - Public Safety Radio	10,185,488	10,383,688	10,320,690	10,320,690	10,276,090		
Short Term Financing - Kay Property	-	-	940,000	-	871,600		
Short Term Financing - Buses	3,203,400	3,390,000	3,369,600	3,369,600	-		
TOTAL SHORT-TERM LEASE EXPENDITURES	13,388,888	13,773,688	14,630,290	13,690,290	11,147,690		
OTHER LONG-TERM DEBT							
MICRF Loan	110,360	110,360	110,360	110,360	110,360		
TOTAL DEBT SERVICE EXPENDITURES-Tax Supported	177,376,503	187,262,390	198,468,170	194,201,580	203,844,950	2.7%	
TOTAL DEBT SERVICE EXPENDITURES	177,892,808	187,747,188	198,565,860	194,299,270	203,903,390	2.7%	
GO BOND DEBT SERVICE FUNDING SOURCES							
General Funds	145,627,151	155,840,126	163,753,760	160,749,390	168,563,270		
Escrow Refunding	-	-	-	640,650	-		
Accrued Interest: Bonds-Non Pooled	496,125	703,889	550,000	550,000	300,000		
Accrued Interest: G.O. Refunding Bonds	733,119	335,805	-	-	-		
Accrued Interest: Installmt Notes, I&P, Street Assessmts	44,763	145,503	-	-	-		
BAN/Commercial Paper Investment Income	1,354,805	680,701	1,000,000	550,000	1,700,000		
Special Street Assessments	14,683	4,882	39,010	-	-		
Premium on General Obligation Bonds	2,756,250	3,039,440	-	-	-		
Total General Fund Sources	151,026,897	160,750,346	165,342,770	162,490,040	170,563,270		
Fire Tax District Funds	1,806,055	2,140,101	2,284,340	2,256,110	2,294,600		
Mass Transit Fund	4,447,152	3,750,321	3,214,070	3,140,140	3,038,680		
Recreation Fund	2,736,396	3,142,120	3,430,710	3,547,970	4,126,760		
Bradley Noise Abatement Fund	37,502	36,313	35,110	35,120	33,890		
Cabin John Noise Abatement Fund	11,117	10,767	10,410	10,420	10,060		
Parking Lot District Funds	399,000	374,500	-	-	-		
Solid Waste Disposal Fund	117,305	110,298	97,690	97,690	58,440		
Total Other Funding Sources	9,554,527	9,564,420	9,072,330	9,087,450	9,562,430		
TOTAL GO BOND FUNDING SOURCES	160,581,424	170,314,766	174,415,100	171,577,490	180,125,700		
NON GO BOND FUNDING SOURCES							
General Funds	11,369,219	12,578,159	18,730,250	17,915,260	20,216,930		
Premium on COPs (Certificates of Participation)	1,079,058	-	-	-	-		
Accrued Interest: COPs	169,417	-	-	-	-		
Conference Center	-	-	125,000	-	62,500		
Mass Transit Fund	2,993,032	3,390,000	3,369,600	3,369,600	-		
Liquor Control Fund	-	-	-	-	190,000		
Economic Development Fund	110,360	110,360	110,360	110,360	110,360		
Recreation Fund	1,590,298	1,353,903	1,815,550	1,326,560	3,197,900		
TOTAL NON GO BOND FUNDING SOURCES	17,311,384	17,432,422	24,150,760	22,721,780	23,777,690		
TOTAL FUNDING SOURCES	177,892,808	187,747,188	198,565,860	194,299,270	203,903,390		
TRANSFERS							
FROM: RSF Investment Income	2,183,977	1,342,360	1,961,040	976,170	2,206,660		
TO: CIP - PAYGO	2,183,977	1,342,360	1,961,040	976,170	2,206,660		
GENERAL OBLIGATION BOND SALES							
General County	31,720,429	8,736,944	45,803,000	44,963,510	37,583,000		
Recreation	4,279,571	5,088,806	4,334,000	7,536,490	6,114,000		
Roads & Storm Drains	33,600,000	40,000,000	33,173,000	30,000,000	44,869,000		
Public Housing	-	-	-	-	-		
Parks	6,000,000	3,150,000	7,182,000	12,000,000	4,846,000		
Public Schools	76,000,000	86,500,000	58,782,000	64,000,000	80,565,000		
Montgomery College	4,000,000	8,500,000	6,676,000	5,000,000	5,894,000		
Fire Tax Districts	4,000,000	2,524,250	12,344,000	500,000	9,765,000		
Mass Transit	400,000	500,000	2,706,000	1,000,000	364,000		
TOTAL GENERAL OBLIGATION BOND SALES	160,000,000	155,000,000	171,000,000	165,000,000	190,000,000		

DEBT SERVICE - GENERAL OBLIGATION BONDS AND LONG & SHORT TERM LEASES

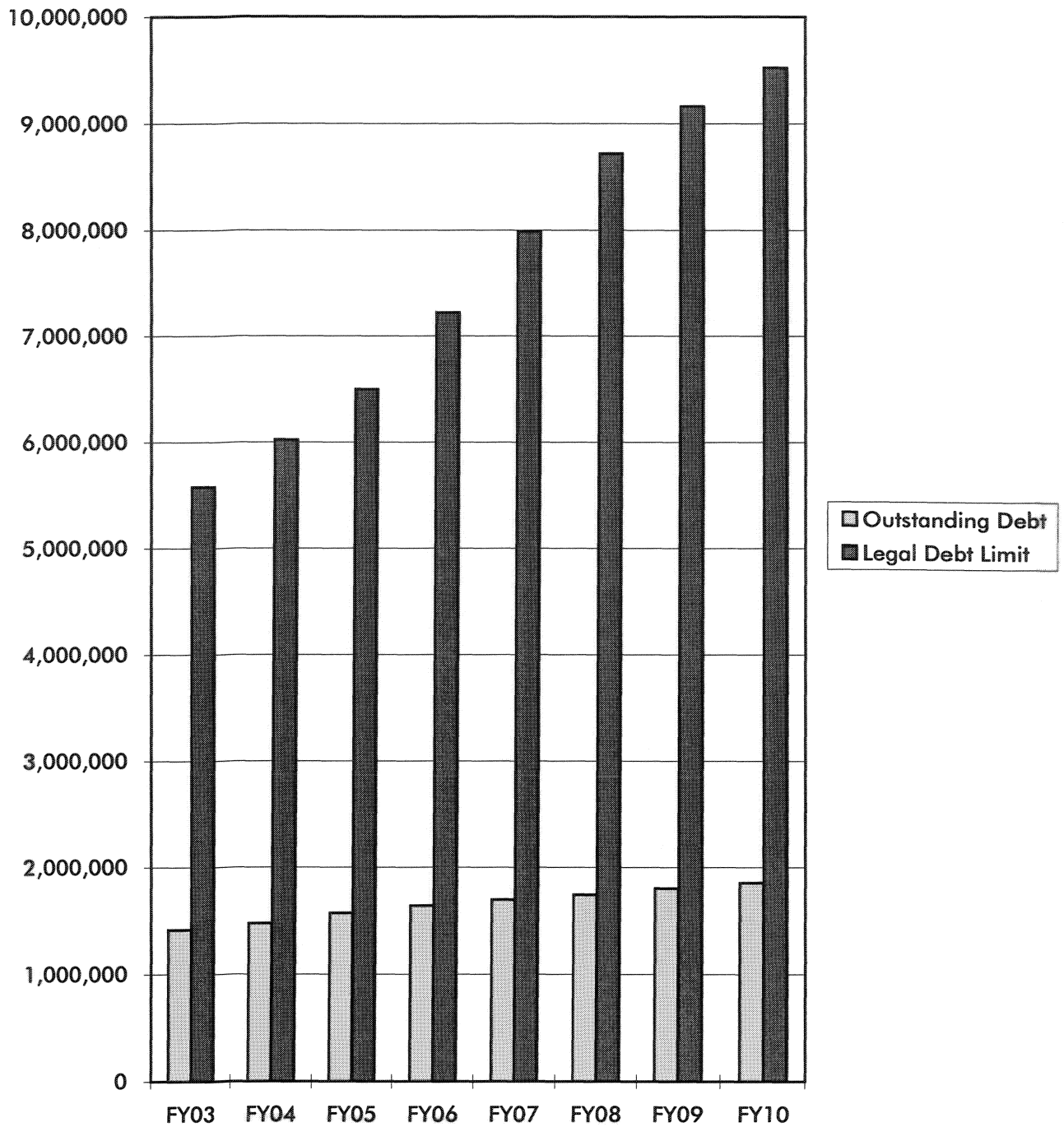
	Recommended FY05	Projected FY06	Projected FY07	Projected FY08	Projected FY09	Projected FY10
GO BOND DEBT SERVICE EXPENDITURES						
General County	22,913,750	26,086,810	28,046,450	28,125,960	29,101,010	30,203,790
Roads & Storm Drains	46,362,740	48,368,920	52,865,010	56,544,970	56,771,530	54,423,380
Public Housing	297,090	281,550	266,000	250,420	175,010	108,320
Parks	5,746,810	5,923,210	5,997,980	6,637,990	7,384,470	8,523,740
Public Schools	87,273,450	91,921,130	98,600,010	106,903,550	108,046,560	114,306,420
Montgomery College	4,790,530	5,275,820	5,960,050	6,675,420	8,235,510	8,938,130
Bond Anticipation Notes/Commercial Paper	3,000,000	4,100,000	5,600,000	6,500,000	7,000,000	7,400,000
Bond Refunding	(750,000)	-	-	-	-	0
Cost of Issuance	928,900	952,120	975,930	1,000,320	1,025,330	1,050,970
Total General Fund	170,563,270	182,909,560	198,311,430	212,638,630	217,739,420	224,954,750
Fire Tax District Fund	2,294,600	3,250,340	3,821,970	4,220,670	5,435,440	5,331,200
Mass Transit Fund	3,038,680	2,954,110	2,664,590	2,513,240	2,289,670	1,956,680
Recreation Fund	4,126,760	4,616,080	5,126,700	5,527,710	6,832,910	7,561,190
Bradley Noise Abatement Fund	33,890	32,650	31,390	30,120	28,810	27,500
Cabin John Noise Abatement Fund	10,060	9,690	9,320	8,940	8,560	8,170
Total Tax Supported Other Funds	9,503,990	10,862,870	11,653,970	12,300,680	14,595,390	14,884,740
TOTAL TAX SUPPORTED	180,067,260	193,772,430	209,965,400	224,939,310	232,334,810	239,839,490
Parking District Funds	-	-	-	-	-	-
Solid Waste Disposal Fund	58,440	55,160	2,720	2,540	-	-
Total Non-Tax Supported	58,440	55,160	2,720	2,540	-	-
TOTAL GO BOND DEBT SERVICE EXPENDITURES	180,125,700	193,827,590	209,968,120	224,941,850	232,334,810	239,839,490
LONG-TERM LEASE EXPENDITURES						
Revenue Authority - Conference Center	2,269,510	2,266,060	2,264,410	2,204,210	2,198,800	1,903,290
Revenue Authority - HHS Piccard Drive	634,520	631,830	633,200	633,490	632,700	632,700
Silver Spring Garages	6,227,710	5,858,990	5,862,370	5,591,010	5,553,520	5,590,330
Revenue Authority - Recreation Pools	3,197,900	3,167,100	3,126,490	3,119,050	2,728,020	2,728,020
Liquor Control Warehouse	190,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000
Town of Chevy Chase - Leland Community Center	-	-	-	-	-	-
TOTAL LONG-TERM LEASE EXPENDITURES	12,519,640	12,973,980	12,936,470	12,597,760	12,163,040	11,904,340
SHORT-TERM LEASE EXPENDITURES						
Short Term Financing - Public Safety Radio	10,276,090	10,220,100	-	-	-	-
Short Term Financing - Kay Property	871,600	871,600	871,600	871,600	871,600	-
Short Term Financing - Buses	-	-	-	-	-	-
TOTAL SHORT-TERM LEASE EXPENDITURES	11,147,690	11,091,700	871,600	871,600	871,600	-
OTHER LONG-TERM DEBT						
MICRF Loan	110,360	110,360	110,360	110,360	110,360	110,360
TOTAL DEBT SERVICE EXPENDITURES-Tax Supported	203,844,950	217,948,470	223,883,830	238,519,030	245,479,810	251,854,190
TOTAL DEBT SERVICE EXPENDITURES	203,903,390	218,003,630	223,886,550	238,521,570	245,479,810	251,854,190
GO BOND DEBT SERVICE FUNDING SOURCES						
General Funds	168,563,270	180,009,560	194,711,430	208,638,630	213,539,420	220,554,750
Accrued Interest on Bonds - Non-Pooled	300,000	300,000	300,000	300,000	300,000	300,000
Accrued Interest: G.O. Refunding Bonds	-	-	-	-	-	-
Accrued Interest: Installment Notes, I&P, Street Assessm'ts	-	-	-	-	-	-
BAN/Commercial Paper Investment Income	1,700,000	2,600,000	3,300,000	3,700,000	3,900,000	4,100,000
Special Street Assessments	-	-	-	-	-	-
Premium on General Obligation Bonds	-	-	-	-	-	-
Total General Fund Sources	170,563,270	182,909,560	198,311,430	212,638,630	217,739,420	224,954,750
Fire Tax District Fund	2,294,600	3,250,340	3,821,970	4,220,670	5,435,440	5,331,200
Mass Transit Fund	3,038,680	2,954,110	2,664,590	2,513,240	2,289,670	1,956,680
Recreation Fund	4,126,760	4,616,080	5,126,700	5,527,710	6,832,910	7,561,190
Bradley Noise Abatement Fund	33,890	32,650	31,390	30,120	28,810	27,500
Cabin John Noise Abatement Fund	10,060	9,690	9,320	8,940	8,560	8,170
Parking Lot District Funds	-	-	-	-	-	-
Solid Waste Disposal Fund	58,440	55,160	2,720	2,540	-	-
Total Other Funding Sources	9,562,430	10,918,030	11,656,690	12,303,220	14,595,390	14,884,740
TOTAL GO BOND FUNDING SOURCES	180,125,700	193,827,590	209,968,120	224,941,850	232,334,810	239,839,490
NON GO BOND FUNDING SOURCES						
General Funds	20,216,930	19,363,580	8,436,580	7,693,310	7,649,620	6,519,320
Premium on COPs (Certificates of Participation)	-	-	-	-	-	-
Accrued Interest: COPs	-	-	-	-	-	-
Conference Center	62,500	485,000	1,195,000	1,607,000	1,607,000	1,607,000
Mass Transit Fund	-	-	-	-	-	-
Liquor Control Warehouse	190,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000
Economic Development Fund	110,360	110,360	110,360	110,360	110,360	110,360
Recreation Fund	3,197,900	3,167,100	3,126,490	3,119,050	2,728,020	2,728,020
TOTAL NON GO BOND FUNDING SOURCES	23,777,690	24,176,040	13,918,430	13,579,720	13,145,000	12,014,700
TOTAL FUNDING SOURCES	203,903,390	218,003,630	223,886,550	238,521,570	245,479,810	251,854,190
TRANSFERS						
FROM: RSF Investment Income	2,206,660	3,357,950	4,221,430	4,749,100	5,084,900	5,276,780
TO: CIP - PAYGO	2,206,660	3,357,950	4,221,430	4,749,100	5,084,900	5,276,780
GENERAL OBLIGATION BOND SALES						
General County	37,583,000	24,556,000	17,619,000	20,447,000	30,605,000	33,827,000
Recreation	6,114,000	5,940,000	5,252,000	13,430,000	9,768,000	2,038,000
Roads & Storm Drains	44,869,000	49,838,000	58,147,000	36,371,000	29,321,000	33,365,000
Public Housing	-	-	-	-	-	-
Parks	4,846,000	3,743,000	6,619,000	9,650,000	13,431,000	15,233,000
Public Schools	80,565,000	89,088,000	88,725,000	81,849,000	98,168,000	103,256,000
Montgomery College	5,894,000	8,687,000	7,335,000	15,427,000	6,368,000	1,018,000
Fire Tax District	9,765,000	5,753,000	6,218,000	12,736,000	2,243,000	1,162,000
Mass Transit	364,000	2,395,000	85,000	90,000	96,000	101,000
TOTAL GENERAL OBLIGATION BOND SALES	190,000,000	190,000,000	190,000,000	190,000,000	190,000,000	190,000,000
ESTIMATED INTEREST RATE	5.90%	5.80%	5.90%	6.00%	5.90%	5.80%

GENERAL OBLIGATION BONDS OUTSTANDING BY BOND CATEGORY
(\$000s)

Total \$1,288,293 as of June 30, 2003



**Outstanding Debt and Legal Debt Limit
(\$000s)**



DEBT CAPACITY ANALYSIS (1)

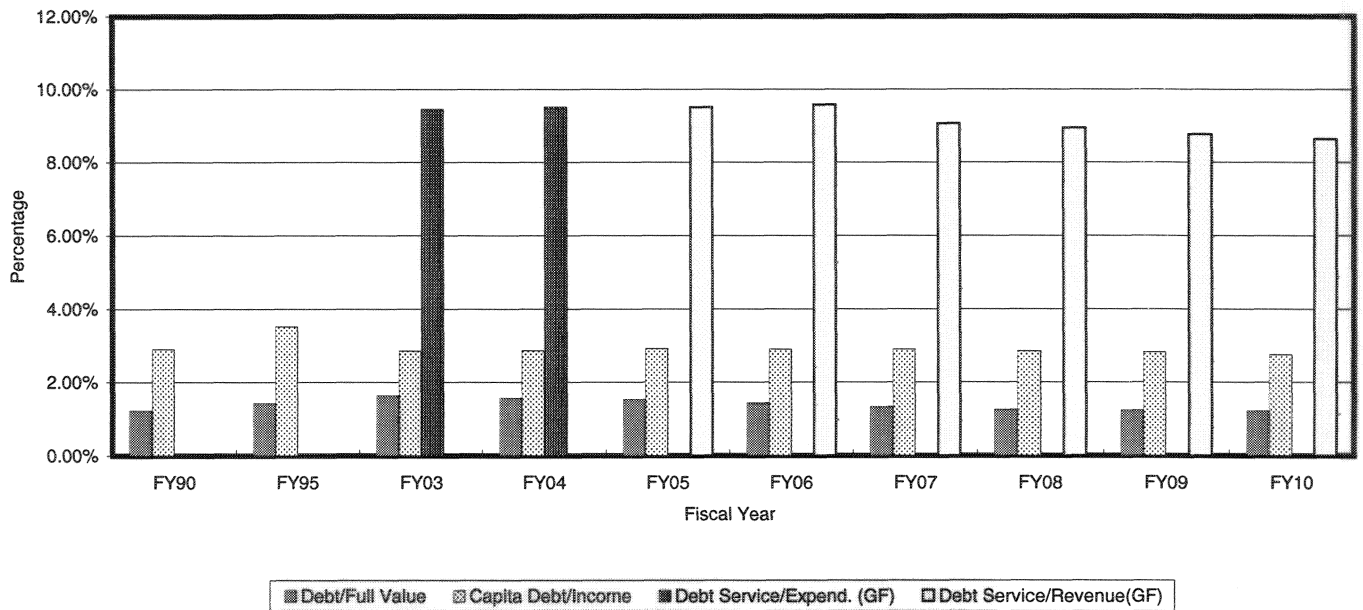
**FY05-10 Capital Improvements Program
COUNTY EXECUTIVE RECOMMENDED WITH PSP ASSUMPTIONS MARCH 15, 2004**

GO BOND 6 YR TOTAL = 1140.0 MILLION
GO BOND FY05 TOTAL = 190.0 MILLION
GO BOND FY06 TOTAL = 190.0 MILLION

	FY90	FY95	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10
1 New GO Debt Issued (\$000s)	150,000	100,000	155,000	171,000	190,000	190,000	190,000	190,000	190,000	190,000
2 GO Debt/Full Value	1.22%	1.43%	1.63%	1.57%	1.54%	1.43%	1.34%	1.26%	1.23%	1.22%
3 Debt Service + LTL + Short-Term Leases/Expend (GF)			9.46%	9.52%						
4 Debt Service + LTL + Short-Term Leases/Revenues (GF) (2)					9.51%	9.58%	9.06%	8.95%	8.77%	8.64%
5 \$ Debt/Capita	972	1,302	1,541	1,583	1,669	1,718	1,757	1,784	1,824	1,856
6 \$ Real Debt/Capita (FY04=100%)	1,286	1,538	1,613	1,583	1,630	1,640	1,638	1,623	1,620	1,611
7 Capita Debt/Capita Income	2.90%	3.52%	2.86%	2.86%	2.92%	2.90%	2.90%	2.85%	2.82%	2.75%
8 Payout Ratio	66.80%	70.00%	71.10%	70.68%	70.15%	69.85%	69.66%	69.55%	69.86%	70.25%
9 Total Debt Outstanding (\$000s)	712,605	1,054,641	1,414,634	1,473,789	1,572,152	1,639,236	1,696,852	1,745,159	1,803,692	1,855,711
10 Real Debt Outstanding (FY04=100%)	942,608	1,245,521	1,457,048	1,473,789	1,535,305	1,564,825	1,581,861	1,587,214	1,602,002	1,611,148
11 Note: OP/PSP Growth Assumption (3)					4.6%	5.6%	8.1%	7.6%	4.6%	3.8%

Notes:

- (1) This analysis is used to determine the capacity of Montgomery County to pay debt service on long-term GO Bond debt, long-term leases, and substantial short-term financing.
(2) Effective in FY05, the ratio is based on General Fund tax supported revenues and other funding sources in the Debt Service Fund.
(3) OP/PSP Growth Assumption equals change in revenues from FY04 estimate to FY05 budget for FY05 and budget to budget for FY06-10.



GENERAL OBLIGATION BOND ADJUSTMENT CHART

FY05-10 Capital Improvements Program COUNTY EXECUTIVE RECOMMENDED MARCH 15, 2004

(\$ millions)	6 YEARS	FY05	FY06	FY07	FY08	FY09	FY10
BONDS PLANNED FOR ISSUE	1,140.000	190.000	190.000	190.000	190.000	190.000	190.000
Assumes Council SAG							
Plus PAYGO Funded	160.600	12.975	28.025	28.000	30.000	30.000	31.600
Plus Recordation Tax	148.195	46.388	23.107	18.500	19.000	20.000	21.200
Adjust for Implementation *	86.070	16.522	16.522	13.884	13.451	13.044	12.647
Adjust for Future Inflation *	(55.512)	-	-	(5.543)	(11.294)	(16.701)	(21.975)
SUBTOTAL FUNDS AVAILABLE FOR DEBT ELIGIBLE PROJECTS (after adjustments)	1,479.353	265.885	257.654	244.841	241.157	236.343	233.473
Less Set Aside: Future Projects	135.813 9.181%	7.694	10.029	14.260	23.456	35.785	44.589
TOTAL FUNDS AVAILABLE FOR PROGRAMMING	1,343.540	258.191	247.625	230.581	217.701	200.558	188.884
MCPS SCHOOLS	(633.011)	(113.662)	(119.389)	(104.873)	(90.551)	(101.886)	(102.650)
MONTGOMERY COLLEGE	(53.315)	(7.315)	(7.642)	(8.670)	(21.567)	(7.109)	(1.012)
M-NCPPC PARKS	(59.437)	(6.837)	(5.016)	(7.824)	(10.676)	(13.940)	(15.144)
TRANSPORTATION	(297.175)	(62.204)	(68.299)	(65.977)	(38.947)	(29.505)	(32.243)
MCG - OTHER	(300.602)	(68.173)	(47.279)	(43.237)	(55.960)	(48.118)	(37.835)
SUBTOTAL PROGRAMMED EXPENDITURES	(1,343.540)	(258.191)	(247.625)	(230.581)	(217.701)	(200.558)	(188.884)
AVAILABLE OR (GAP)	-	-	-	-	-	-	-
NOTES:							
* Adjustments Include:							
Inflation =		2.40%	2.30%	2.40%	2.50%	2.40%	2.30%
Implementation Rate =		92.00%	92.00%	93.00%	93.00%	93.00%	93.00%

NOTE: This chart includes proposed County Executive adjustments to the FY05-10 Capital Improvements Program recommended on January 15, 2004.